

## Science Applications (SAIC)

**\$102.80** (Stock Price as of 12/24/2025)

Price Target (6-12 Months): **\$107.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 03/04/25)

Prior Recommendation: Outperform

Short Term: 1-3 Months

**Zacks Rank: (1-5)**

**2-Buy**

Zacks Style Scores:

VGM: A

Value: A

Growth: C

Momentum: A

## Summary

Science Applications is benefiting from the higher demand for its technology solutions, driven by the ongoing digital transformation wave across the defense, space, intelligence and civilian markets. The strong performance of its contract portfolio is also a tailwind. The acquisition of Koverse has further expanded its AI and machine learning (ML)-enabled software portfolio. Its cost-efficiency initiatives are likely to drive margins. However, rising component costs, along with increasing labor and logistics expenses, are anticipated to hurt its near-term performance. Acquisition-related dissynergies are an overhang on the top line. Competition from General Dynamics Mission Systems and CACI International is a persistent concern.

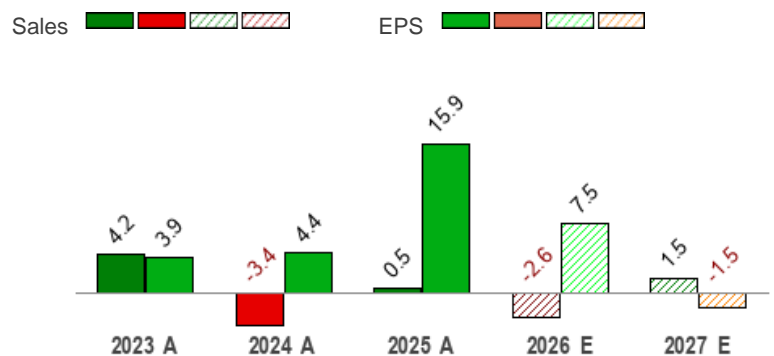
## Price, Consensus & Surprise<sup>(1)</sup>



## Data Overview

52 Week High-Low	\$124.11 - \$84.16
20 Day Average Volume (sh)	789,550
Market Cap	\$4.6 B
YTD Price Change	-8.2%
Beta	0.30
Dividend / Div Yld	\$1.48 / 1.4%
Industry	<a href="#">Computers - IT Services</a>
Zacks Industry Rank	Top 39% (95 out of 243)

## Sales and EPS Growth Rates (Y/Y %)<sup>(2)</sup>



Last EPS Surprise	24.6%
Last Sales Surprise	0.1%
EPS F1 Est- 4 week change	4.7%
Expected Report Date	03/16/2026
Earnings ESP	-2.8%

## Sales Estimates (millions of \$)<sup>(2)</sup>

	Q1	Q2	Q3	Q4	Annual*
2027	1,865 E	1,803 E	1,899 E	1,825 E	7,392 E
2026	1,877 A	1,769 A	1,866 A	1,769 E	7,281 E
2025	1,847 A	1,818 A	1,976 A	1,838 A	7,479 A

## EPS Estimates<sup>(2)</sup>

	Q1	Q2	Q3	Q4	Annual*
2027	2.23 E	2.41 E	2.55 E	2.46 E	9.66 E
2026	1.92 A	3.63 A	2.58 A	2.56 E	9.81 E
2025	1.92 A	2.05 A	2.61 A	2.57 A	9.13 A

\*Quarterly figures may not add up to annual.

(1) The data in the charts and tables, except the estimates, is as of 12/24/2025.

(2) The report's text, the analyst-provided estimates, and the price target are as of 12/16/2025.

## Overview

Science Applications International Corporation (SAIC) is one of the leading information technology ("IT") and professional services provider, primarily to the U.S. government. Founded in 1969, the company's headquarter is located at Reston, VA.

Science Applications offers transaction, technical, engineering and enterprise IT services primarily to the U.S. government. Its offerings include technology and equipment platform integration; engineering; logistics; operation and program support services; maintenance of ground and maritime systems; and training and simulation. Apart from this, Science Applications provides end-to-end services like design, development, integration, deployment, management and operations, sustainment, and security of its customers' IT infrastructure.

The company's customers lists primarily includes different government agencies, including the U.S. military, comprising Army, Air Force, Navy, Marines, and Coast Guard; the U.S. Defense Logistics Agency; the National Aeronautics and Space Administration; the U.S. Department of State; and the U.S. Department of Homeland Security. The company serves its customers with more than 15,000 employees.

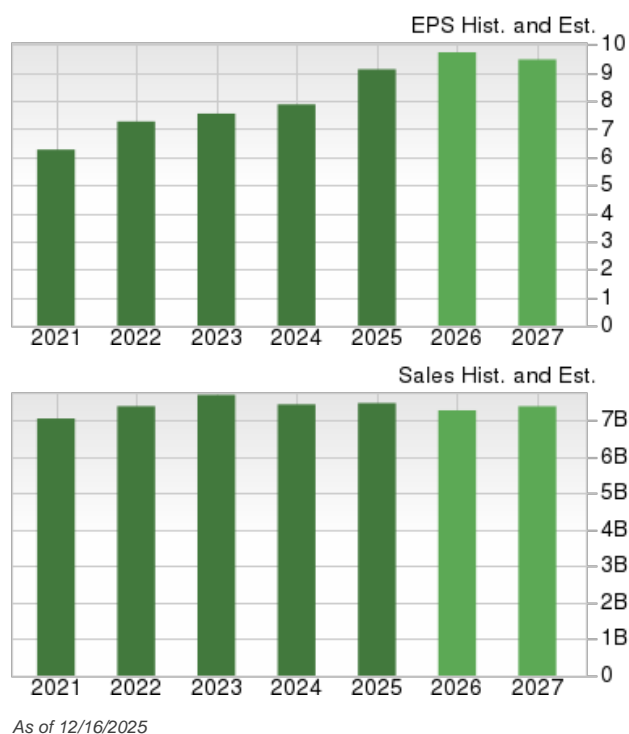
The company generated \$7.48 billion of revenues in fiscal 2025. The company segregates its contracts in three different types:

**Cost-reimbursement contracts:** Under this type of contract, the company gets reimbursement for its direct and indirect allocable costs associated with the contract plus a fee (contract profit).

**Time-and-materials (T&M) contracts:** These contracts are based on fixed hourly rates for particular categories of direct labor, plus reimbursement for any other direct costs.

**Firm-fixed price (FFP) contracts:** These contracts provide for a predetermined price for specific solutions.

Its competitors include companies such as General Dynamics, Northrop Grumman, Raytheon Company, Booz Allen Hamilton, CACI International, Leidos Holdings, ManTech International, Serco Group, Perspecta, Accenture, IBM and Agility Logistics.



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## Reasons To Buy:

- ▲ Science Applications remains focused on the federal government marketplace and capturing more market share. The company intends to drive operational excellence by intensively focusing on its organic and inorganic growth strategy, and strengthening existing customer relationships while building newer ones. Higher spending as proposed in the latest federal government budget is anticipated to accelerate the pace of contract awards which in turn will be beneficial for Science Applications' top-line growth.
- ▲ A leader in IT outsourcing for the U.S. government agencies, Science Applications has exposure to the rapidly growing DoD and Department of Homeland Security budgets. Its system-integration skills and intelligence expertise consume a significant portion of the funds earmarked for the Department of Homeland Security while creating systems that foster the sharing of critical information among all intelligence agencies. We believe the company is comfortably positioned, given its favored relationship with the DoD. Moreover, cyber-attacks are creating increased awareness, leading to more demand for cyber solutions.
- ▲ Having the government as a big client lends stability to the business and moderates fluctuations in revenues. Although the government generally has a lengthy approval process, the project earns money for a number of years after it is approved. Moreover, government contracts improve the visibility of future revenue streams. The company has been doing very well with a record level of awards, which reflects its disciplined business development actions, consistent operational excellence and high customer satisfaction. The company continues to execute its strategy of winning high-value contracts, delivering excellence to customers and deploying capital for growth. Its robust business model is expected to help it grow further.
- ▲ Science Applications has been aggressive in the acquisition front to boost its competitive position. The acquisition of SilverEdge Government Solutions in October 2025 will expand SAIC's cybersecurity, artificial intelligence (AI) and software capabilities for national security clients. Its other notable acquisitions include Koverse, Halfaker and Associates, Unisys and Engility in January 2019. These acquisitions have boosted the company's top line, profitability and cash flows over the past several years, enhancing long-term shareholder-value creation.
- ▲ Science Applications' strong operating cash flow has helped it return cash through regular quarterly dividend payments and share repurchases. Share repurchases is a good way of returning cash to investors while boosting the company's bottom-line. Moreover, consistent returns to shareholders reflect balance sheet strength and the company's cash flow generating ability. In fiscal 2025, Science Applications generated operating and transaction-adjusted free cash flows of \$494 million and \$507 million, respectively. During fiscal 2025, the company paid a total cash dividend of \$75 million and repurchased \$527 million worth of its common stock. Since the inception of the share repurchase program in 2013, it has repurchased more than \$2 billion worth of stocks. In the first three quarters of fiscal 2026, it bought back shares worth \$347 million and paid \$53 million in dividends.

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## Reasons To Sell:

- ▼ Though supply-chain environment has improved, rising component costs, along with increasing labor and logistics expenses are likely to hurt Science Applications' profitability in the near-term. Moreover, recession concerns amid the ongoing macroeconomic headwinds and geopolitical tensions might lead to softened spendings by government agencies, which could negatively impact the company's top-line performance in the near-term. Our estimates suggest that its fiscal 2026 revenues will grow in the low-single-digit percentage range.
- ▼ Though Science Applications has been steadily winning contracts from the federal government, but these low-margin deals have been affecting the company's profitability, which remains a major concern.
- ▼ Unfavorable contract mix is also hurting the company's profitability. The company continues to witness increase in cost reimbursement type contracts compared with fixed price contract, which is expected to be a drag on margins.
- ▼ Science Applications has a highly leveraged balance sheet. The company's long-term debt has increased significantly in the last 10 years to \$1.91 billion at the end of fiscal 2025 from \$486 million at the end of fiscal 2015. As a result, its annualized interest expenses have increased more than fivefold during the same time frame. Additionally, the long-term debt level of \$2.48 billion as of Oct. 31, 2025, is significantly higher than the cash and cash equivalents of \$45 million.
- ▼ Revenue concentration is a major risk for Science Applications. In fiscal 2025, 98% of revenues came from sales to the U.S. federal government either as a prime contractor or subcontractor. Due to this massive dependency, changes in the government's IT spending budget is a huge deciding factor for the company's top-line growth. Moreover, these contracts are subject to extensive legal and regulatory hurdles, which are stringent, and subject to change from time to time. The government also investigates operations periodically to ensure that the terms and conditions have been properly adhered to. Deviations from the terms laid out by the government might result in huge penalties or termination.
- ▼ Science Applications competes primarily in the government IT services arena, which, like other government sectors, consists of many competitors of various sizes. Its main competitors include ManTech International Corporation, CACI, Accenture, IBM, all of which are established players in the industry, with their respective strengths. Consequently, the company has to continuously invest in value drivers which act as a hedge against competition. These increase its operating costs and reduce its profitability.

Revenue concentration and increasing competition remain key concerns for SAIC.

## Last Earnings Report

### Science Applications' Q3 Earnings and Revenues Beat the Estimates

Science Applications International delivered its third-quarter fiscal 2026 results, wherein the company reported non-GAAP earnings of \$2.58 per share, surpassing the Zacks Consensus Estimate of \$2.07 by 24.6%. However, the bottom line decreased 1.1% from the year-ago quarter's earnings of \$2.61 per share.

Science Applications' fiscal third-quarter revenues declined 5.6% year over year to \$1.87 billion and came above the Zacks Consensus Estimate of \$1.86 billion.

**FY Quarter Ending** **1/31/2025**

Earnings Reporting Date	Dec 04, 2025
Sales Surprise	0.13%
EPS Surprise	24.64%
Quarterly EPS	2.58
Annual EPS (TTM)	10.70

### SAIC's Q3 in Details

Segment-wise, revenues from Defence and Intelligence, which accounted for 77.1% of revenues, amounted to \$1.44 billion and decreased 5% year over year. Civilian revenues, which constitute 22.9% of revenues, totalled \$427 million and declined 7.4% year over year.

Net bookings were approximately \$2.2 billion in the third quarter, which reflected a book-to-bill ratio of 1.2. The company's trailing 12-month book-to-bill ratio was 1.2 at the end of the fiscal third quarter. SAIC's estimated backlog at the end of the quarter was approximately \$23.8 billion. Of the total backlog amount, approximately \$3.8 billion was funded.

Selling, general and administrative (SG&A) expenses increased 21.7% to \$101 million. SG&A expenses, as a percentage of revenues, increased to 5.4% from 4.2% in the year-ago quarter.

Non-GAAP operating income decreased year over year to \$183 million from the year-ago quarter's operating income of \$195 million. The non-GAAP operating margin contracted 10 basis points (bps) year over year to 9.8%.

Adjusted EBITDA declined 6.1% to \$185 million. Adjusted EBITDA margin for the quarter was 9.9% compared with 10% for the prior-year quarter.

### Balance Sheet & Cash Flow Details of SAIC

Science Applications ended the fiscal third quarter with cash and cash equivalents of \$45 million, slightly down from the previous quarter's \$48 million.

As of Oct. 31, 2025, Science Applications' long-term debt (net of the current portion) was \$2.48 billion compared with \$1.84 billion as of Aug. 1, 2025.

The company generated operating and free cash flows of \$129 million and \$135 million, respectively, in the fiscal third quarter. In the first three quarters of fiscal 2026, it generated operating and free cash flows of \$351 million and \$241 million, respectively.

During the fiscal third quarter, Science Applications repurchased shares worth \$95 million and paid \$17 million in dividends. In the first three quarters of fiscal 2026, it bought back shares worth \$347 million and paid \$53 million in dividends.

### SAIC Reaffirms Guidance for FY26

Science Applications now expects fiscal 2026 revenues between \$7.275 billion and \$7.325 billion, up from the previous guidance of \$7.25-\$7.325 billion. Guidance for adjusted EBITDA has been raised to approximately \$695 million from \$680-\$690 million in the previous quarter. Adjusted EBITDA margin expected to be 9.5%, up from 9.3-9.5% projected earlier.

The company now forecasts adjusted EPS in the band of \$9.80-\$10.00, up from the earlier projection of \$9.40-\$9.60. Science Applications estimates free cash flow for fiscal 2026 to exceed \$550 million.

## Recent News

On Nov. 24, SAIC announced that it received a \$242 million Navy contract to operate, maintain, and modernize the Propulsion Test Facility for undersea weapons and systems.

On Nov. 20, SAIC announced that it secured a \$1.4 billion COBRA task order to rapidly deliver next-generation multi-domain warfighting technologies for the Department of War.

On Nov. 19, SAIC announced a partnership with HavocAI to integrate autonomous maritime fleets with SAIC's real-time communications backbone to enhance U.S. Navy domain awareness.

On Nov. 13, SAIC announced an organizational restructuring that consolidates its business groups from five to three to simplify operations and sharpen its focus on long-term growth and shareholder value.

On Oct. 23, SAIC appointed James Reagan as Interim CEO, succeeding Toni Townes-Whitley.

On Oct. 6, Science Applications International Corp. announced a definitive agreement to acquire SilverEdge Government Solutions from Godspeed Capital for \$205 million in cash, strengthening its national security and mission support capabilities.

On Sept. 22, Science Applications International Corp. priced a \$500 million offering of 5.875% senior notes due 2033, with the offering expected to close on Sept. 25, 2025, subject to customary conditions.

On Sept. 22, Science Applications International Corp. announced plans to offer \$500 million in senior notes due 2033, subject to market and other conditions.

On Aug. 29, Science Applications International Corp. announced that its board of directors declared a cash dividend of 37 cents per share, payable on Oct. 24, 2025, to shareholders of record as of Oct. 10, 2025.

## Valuation

Shares of SAIC have declined 1.2% in the past three months and 3.6% in the six months. Stocks in the Zacks sub-industry lost 0.8%, while Computer & Technology sector stocks gained 4.7% in the past three months. In the past six months, the Zacks sub-industry declined 7.3% while the sector climbed 27.3%.

The S&P 500 Index has gained 4.2% in the past three months and 16.7% over the six months.

The stock is currently trading at 10.64x forward 12-month earnings, compared with 25.11x for the Zacks sub-industry, 28.15x for the Zacks sector, and 23.35x for the S&P 500 Index.

Over the past five years, the stock has traded as high as 17.94x and as low as 9.21x, with a five-year median of 13.29x. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$107 price target reflects 11.17x forward 12-month earnings.

The table below shows the summary valuation data for SAIC:

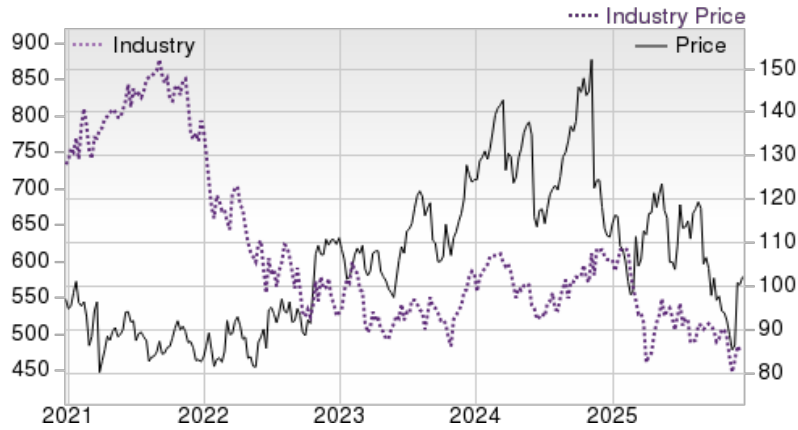
Valuation Multiples - SAIC					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	10.64	25.11	28.15	23.35
	5-Year High	17.94	39.69	29.92	23.78
	5-Year Low	9.21	24.04	18.70	15.73
	5-Year Median	13.29	29.14	26.61	21.22
P/S F12M	Current	0.62	16.95	6.62	5.27
	5-Year High	1.01	23.39	7.39	5.50
	5-Year Low	0.53	13.12	4.24	3.83
	5-Year Median	0.72	18.02	6.29	5.05
EV/Sales TTM	Current	0.95	17.85	8.05	8.05
	5-Year High	1.28	27.18	8.37	8.37
	5-Year Low	0.80	14.21	4.17	4.17
	5-Year Median	1.01	18.88	6.91	6.91

As of 12/15/2025

Source: Zacks Investment Research



## Industry Analysis<sup>(1)</sup> Zacks Industry Rank: Top 39% (95 out of 243)



## Top Peers<sup>(1)</sup>

Company (Ticker)	Rec	Rank
Vertiv Holdings Co. (VRT)	Outperform	2
ASGN Incorporated (ASGN)	Neutral	3
CoStar Group, Inc. (CSGP)	Neutral	3
CyberArk Software Lt... (CYBR)	Neutral	2
Amdocs Limited (DOX)	Neutral	4
EPAM Systems, Inc. (EPAM)	Neutral	2
ServiceNow, Inc. (NOW)	Neutral	3
Roper Technologies, ... (ROP)	Neutral	4

## Industry Comparison<sup>(1)</sup> Industry: Computers - It Services

	SAIC	X Industry	S&P 500	NOW	ROP	VRT
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Outperform
Zacks Rank (Short Term)	2	-	-	3	4	2
VGM Score	A	-	-	B	C	C
Market Cap	4.63 B	2.14 B	39.09 B	160.29 B	48.37 B	63.57 B
# of Analysts	5	4	22	16	9	7
Dividend Yield	1.44%	0.00%	1.4%	0.00%	0.73%	0.15%
Value Score	A	-	-	F	D	D
Cash/Price	0.01	0.10	0.04	0.03	0.01	0.03
EV/EBITDA	10.18	9.87	14.63	54.83	18.76	53.78
PEG Ratio	3.66	1.82	2.22	1.82	2.25	1.34
Price/Book (P/B)	3.06	2.76	3.33	14.20	2.42	18.12
Price/Cash Flow (P/CF)	8.35	16.53	15.32	60.70	17.20	45.67
P/E (F1)	10.48	16.38	19.84	44.58	22.55	40.41
Price/Sales (P/S)	0.63	2.35	3.13	12.65	6.26	6.56
Earnings Yield	9.49%	5.11%	5.03%	2.24%	4.44%	2.47%
Debt/Equity	1.64	0.05	0.56	0.13	0.46	0.83
Cash Flow (\$/share)	12.30	0.97	8.98	2.54	26.12	3.64
Growth Score	C	-	-	B	B	A
Hist. EPS Growth (3-5 yrs)	8.54%	6.86%	8.16%	63.50%	8.17%	47.51%
Proj. EPS Growth (F1/F0)	7.45%	10.10%	8.50%	24.46%	8.85%	44.21%
Curr. Cash Flow Growth	6.37%	0.99%	6.86%	60.49%	9.40%	43.89%
Hist. Cash Flow Growth (3-5 yrs)	4.95%	7.79%	7.48%	35.37%	9.39%	42.59%
Current Ratio	1.20	1.61	1.18	1.06	0.58	1.83
Debt/Capital	62.08%	12.95%	38.01%	11.66%	31.41%	45.23%
Net Margin	5.05%	3.28%	12.78%	13.66%	20.34%	10.67%
Return on Equity	33.19%	8.34%	17.00%	18.74%	10.92%	50.82%
Sales/Assets	1.39	0.91	0.53	0.59	0.24	0.97
Proj. Sales Growth (F1/F0)	-2.60%	5.49%	5.83%	20.50%	12.50%	27.50%
Momentum Score	A	-	-	A	A	F
Daily Price Chg	-0.16%	-1.40%	0.46%	-1.48%	0.02%	0.01%
1 Week Price Chg	1.82%	-1.60%	1.61%	-10.23%	-0.20%	-0.90%
4 Week Price Chg	19.83%	0.00%	2.13%	-6.48%	0.66%	-1.95%
12 Week Price Chg	3.31%	-9.31%	3.31%	-16.13%	-9.90%	10.21%
52 Week Price Chg	-7.73%	-18.18%	14.40%	-30.19%	-14.92%	40.02%
20 Day Average Volume	789,550	827,778	2,805,434	9,849,315	1,092,465	6,752,368
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.07%	0.00%	0.00%
(F1) EPS Est 4 week change	4.65%	0.00%	0.00%	0.10%	0.00%	0.00%
(F1) EPS Est 12 week change	4.62%	2.59%	0.67%	5.03%	-1.75%	7.62%
(Q1) EPS Est Mthly Chg	-4.85%	0.00%	0.00%	-0.62%	0.00%	0.00%

## Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

### Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

### Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

### Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	A
Growth Score	C
Momentum Score	B
VGM Score	A

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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